

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant  X

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6  
(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to ?240.14a-12

USA TECHNOLOGIES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(I)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

[GRAPHIC OMITTED]

December \_\_, 2003

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of USA Technologies, Inc. to be held at 10:00 a.m., January 16, 2004, at The Union League, 140 South Broad Street, Philadelphia, Pennsylvania 19102.

In connection with the Annual Meeting, enclosed herewith is the Proxy Statement and Proxy. We are requesting your approval of a number of proposals which are very important to the Company's future success. Therefore, whether or not you expect to attend the meeting in person, it is imperative that your shares be voted at the meeting. At your earliest convenience, please complete, date and sign the Proxy and return it in the enclosed, postage-paid envelope furnished for that purpose.

Following the consideration of the proposals by the shareholders, management will present a current report on the activities of the Company. At the meeting, we will welcome your comments on or inquiries about the business of the Company that would be of interest to shareholders generally.

I look forward to seeing you at the Annual Meeting. In the meantime, please feel free to contact me with any questions you may have.

Sincerely,

/s/ George R. Jensen, Jr.

George R. Jensen, Jr.  
Chairman and Chief Executive Officer

USA TECHNOLOGIES, INC.  
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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON JANUARY 16, 2004  
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To Our Shareholders:

The Annual Meeting of Shareholders of USA Technologies, Inc., a Pennsylvania corporation (the "Company"), will be held at 10:00 a.m., January 16, 2004, at The Union League, 140 South Broad Street, Philadelphia, Pennsylvania 19102, for the following purposes:

1. The election of George R. Jensen, Jr., Stephen P. Herbert, William W. Sellers, William L. Van Alen, Jr., Steven Katz, and Douglas M. Lurio, as Directors;
2. To act upon a proposal to ratify the appointment of Ernst & Young LLP as the independent public accountants of the Company for fiscal 2004;
3. To act upon an amendment to increase the number of authorized shares of Common Stock to 475,000,000; and
4. To transact such other business as may properly come before the Annual Meeting and any and all adjournments thereof.

The Board of Directors has fixed the close of business on December 12, 2003 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any and all adjournments thereof.

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting in person, please promptly mark, sign and date the enclosed proxy and return it in the envelope provided for that purpose.

By Order of the Board of Directors,

/s/ George R. Jensen, Jr.

GEORGE R. JENSEN, JR.  
Chairman and Chief Executive Officer

USA TECHNOLOGIES, INC.  
PROXY STATEMENT

SOLICITATION OF PROXY, REVOCABILITY AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors of USA Technologies, Inc., a Pennsylvania corporation (the "Company"), for use at the 2004 Annual Meeting of Shareholders (the "Annual Meeting"), to be held at 10:00 a.m., on January 16, 2004, at The Union League, 140 South Broad Street, Philadelphia, Pennsylvania 19102.

Only holders of Common Stock or Series A Convertible Preferred Stock of record at the close of business on December 12, 2003 will be entitled to notice of and to vote at the Annual Meeting. Each share of Common Stock and Series A Preferred Stock is entitled to one vote on all matters to come before the Annual Meeting. On December 12, 2003, the record date for the Annual Meeting, the Company had issued and outstanding 285,341,570 shares of Common Stock, no par value ("Common Stock"), and 528,287 shares of Series A Convertible Preferred Stock, no par value ("Series A Preferred Stock").

The Company's principal executive offices are located at 100 Deerfield Lane, Suite 140, Malvern, Pennsylvania 19355. The approximate date on which this Proxy Statement and the accompanying proxy are first being sent to shareholders is December \_\_, 2003.

Quorum and Voting

The presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast by the shareholders entitled to vote generally at the Annual Meeting is necessary to constitute a quorum. Votes withheld for director nominees and abstentions on the other proposals to be considered at the Annual Meeting will be counted in determining whether a quorum has been reached, but the failure to execute and return a proxy will result in a shareholder not being considered present at the meeting. The holders of the Common Stock and Series A Preferred Stock vote together, and not as a separate class, on all matters to be submitted to shareholders at the Annual Meeting. If a quorum is not present at the Annual Meeting, we expect that the Annual Meeting will be adjourned or postponed to solicit additional proxies.

Assuming the presence of a quorum, generally the adoption of a proposal by the shareholders requires the affirmative vote of the holders of at least a majority of all shares casting votes in person or by proxy at the Annual Meeting. Directors are elected by a plurality, and the six nominees who receive the most votes will be elected. Abstentions and broker non-votes will not be

taken into account to determine the outcome of the election of directors or the approval of any proposal. Approval of the proposal to ratify the selection of auditors will require the affirmative vote of the holders of at least a majority of all shares casting votes in person or by proxy at the Annual Meeting. Approval of the proposal to increase the number of authorized shares of Common Stock will require the affirmative vote of the holders of at least a majority of all shares casting votes in person or by proxy at the Annual Meeting. Only shares affirmatively voted for a proposal, including properly executed proxies that do not contain voting instructions, will be counted as favorable votes for that proposal. Brokers who hold shares of stock in street name for customers and who indicate on a proxy that the broker does not have discretionary authority to vote those shares as to a particular matter are referred to as broker non-votes. Broker non-votes will have no effect in determining whether a proposal will be adopted at the Annual Meeting although they would be counted as present for purposes of determining the existence of a quorum. Abstentions as to a particular proposal will have the same effect as votes against such proposal.

#### Revocability of Proxies

Shares represented by proxies, if properly signed and returned, will be voted in accordance with the specifications made thereon by the shareholders. Any proxy not specifying to the contrary will be voted in favor of the adoption of all of the proposals referred to in the Notice of Annual Meeting and for the six nominees for Director listed in Item 1 below. A shareholder who signs and returns a proxy may revoke it any time before it is voted by the filing of an instrument revoking it or a duly executed proxy bearing a later date with the Secretary of the Company. Your mere attendance at the Annual Meeting will not revoke your proxy.

#### Solicitation

The cost of soliciting proxies will be borne by the Company. Such solicitation will be made by mail and may also be made on behalf of the Company by the Company's Directors, officers or employees in person or by telephone, facsimile transmission or telegram.

#### SECURITY OWNERSHIP

##### Common Stock

The following table sets forth, as of June 30, 2003, the beneficial ownership of the Common Stock of each of the Company's directors and executive officers, the other employee named in the Summary Compensation Table set forth below, as well as by the Company's directors and executive officers as a group. Except as set forth below, the Company is not aware of any beneficial owner of more than five percent of the Common Stock. Except as otherwise indicated, the Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

Name and Address of Beneficial Owner -----	Number of Shares of Common Stock Beneficially Owned(1) -----	Percent of Class(2) -----
George R. Jensen, Jr. 517 Legion Road West Chester, Pennsylvania 19382	2,266,000 shares(3)	*
Stephen P. Herbert 536 West Beach Tree Lane Strafford, Pennsylvania 19087	1,186,050 shares(4)	*
Haven Brock Kolls, Jr. 1573 Potter Drive Pottstown, Pennsylvania 19464	103,825 shares(5)	*
Leland P. Maxwell 401 Dartmouth Road Bryn Mawr, Pennsylvania 19010	50 shares	*
Michael K. Lawlor 131 Lisa Drive Paoli, Pennsylvania 19301	332,050 shares(6)	*
Adele H. Hepburn 208 St. Georges Road Ardmore, Pennsylvania 19003	6,898,445 shares(7)	2.04%
Douglas M. Lurio 2005 Market Street, Suite 2340 Philadelphia, Pennsylvania 19103	421,463 shares(8)	*
William W. Sellers 394 East Church Road King of Prussia, Pennsylvania 19406	1,833,812 shares(9)	*
William L. Van Alen, Jr. Cornerstone Entertainment, Inc. P.O. Box 727 Edgemont, Pennsylvania 19028	648,340 shares(10)	*
La Jolla Cove Investors, Inc. 7817 Herschel Avenue, Suite 200 La Jolla, California 92037	28,736,059 shares(11)	8.50%
Kazi Management VI Inc. 30 Dronnigens Gade Ste B St. Thomas, Virgin Islands 00802	22,857,145 shares(12)	6.76%
All Directors and Executive Officers As a Group (9 persons)	7,244,477 shares(13)	2.20%

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\* Less than one percent (1%)

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and derives from either voting or investment power with respect to securities. Shares of Common Stock issuable upon conversion of the Preferred Stock, shares issuable upon the conversion of Convertible Senior Notes, or shares of Common Stock issuable upon exercise of warrants and options currently exercisable, or exercisable within 60 days of June 30, 2003, are deemed to be beneficially owned for purposes hereof.

(2) On June 30, 2003 there were 218,741,042 shares of Common Stock and 524,492 shares of Series A Preferred Stock issued and outstanding. For purposes of computing the percentages under this table, it is assumed that all shares of issued and outstanding Preferred Stock have been converted into 524,492 shares of Common Stock, that all of the options to acquire Common Stock which have been issued and are fully vested as of June 30, 2003 (or within 60-days of June 30, 2003) have been converted into 2,907,485 shares of Common Stock. For purposes of computing such percentages it has also been assumed that all of the remaining Purchase Warrants have been exercised for 62,127,724 shares of Common Stock; that all of the Senior Notes have been converted into 53,295,128 shares of Common Stock; and that all of the accrued and unpaid dividends on the Preferred Stock as of June 30, 2003 have been converted, into 591,311 shares of Common Stock. Therefore, for purposes of computing the percentages under this table, there are 338,187,182 shares of Common Stock issued and outstanding.

(3) Includes 500,000 shares issuable upon conversion of Senior Notes, 311,000 shares of Common Stock beneficially owned by his spouse, 75,000 shares issuable upon the exercise of warrants beneficially owned by his son and 80,000 and 50,000 shares issuable upon conversion of Senior Notes beneficially owned by his son and spouse, respectively. Does not include the right granted to Mr. Jensen under his Employment Agreement to receive Common Stock upon the occurrence of a USA Transaction (as defined therein). See "Executive Employment Agreements".

(4) Includes 250,000 shares issuable to Mr. Herbert upon the conversion of Senior Notes, 1,000 shares of Common Stock beneficially owned by his child, 100,000 shares of Common Stock beneficially owned by his spouse and 250,000 shares issuable upon the conversion of Senior Notes beneficially owned by his spouse.

(5) Includes 22,500 shares of Common Stock issuable to Mr. Kolls upon the exercise of warrants, 12,000 shares of Common Stock owned by his spouse, 24,000 shares issuable to his spouse upon conversion of her Senior Note and 3,600 shares issuable upon the exercise of warrants beneficially owned by his spouse.

(6) Includes 80,000 shares of Common Stock beneficially owned by Mr. Lawlor's spouse.

(7) Includes 375,549 shares of Common Stock owned by her spouse, 5,150 shares underlying Series A Preferred Stock held by her and her spouse, 1,109,420 shares issuable upon the conversion of her Senior Notes, 72,895 shares issuable to her spouse upon the conversion of his Senior Notes, 300,000 shares issuable upon the exercise of her warrants, 77,000 shares issuable upon the exercise of options held by her and 5,000 shares issuable upon the exercise of options held by her spouse.

(8) Includes 225,000 shares issuable upon conversion of Senior Notes.

(9) Includes 17,846 shares of Common Stock owned by the Sellers Pension Plan of which Mr. Sellers is a trustee, 4,952 shares of Common Stock owned by Sellers Process Equipment Company of which he is a Director, and 10,423 shares of Common Stock owned by Mr. Seller's wife. Includes 408,334 shares issuable upon conversion of his Senior Notes.

(10) Includes 116,670 shares of Common Stock issuable to Mr. Van Alen upon conversion of his Senior Notes and 4,000 shares of Common Stock beneficially owned by his spouse.

(11) Includes 2,270,683 shares of Common Stock owned by La Jolla and 26,465,376 shares of Common Stock issuable to upon the exercise of Purchase Warrants. In October 2003, warrants exercisable for 9,000,000 of these shares were cancelled.

(12) Includes 3,571,429 shares of Common Stock owned by Kazi and 19,285,716 shares of Common Stock issuable upon the exercise of Purchase Warrants.

(13) Includes all shares of Common Stock described in footnotes (3) through (10) above.

#### Preferred Stock

The following table sets forth, as of June 30, 2003 the beneficial ownership of the Preferred Stock by the Company's directors and executive officers, the other employee named in the Summary Compensation Table set forth above, as well as by the Company's directors and executive officers as a group. Except as set forth below, the Company is not aware of any beneficial owner of more than five percent of the Preferred Stock. Except as otherwise indicated, the Company believes that the beneficial owners of the Preferred Stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Number of Shares of Preferred Stock Beneficially Owned	Percent of Class(1)
-----	-----	-----
Adele H. Hepburn 208 St. Georges Road Ardmore, Pennsylvania 19003	5,150 shares (2)	*
All Directors and Executive Officers As a Group (9 persons)	0	*
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(1) There were 524,492 shares of Preferred Stock issued and outstanding as of June 30, 2003.

(2) Ms. Hepburn is an employee of the Company.



ITEM 1

ELECTION OF DIRECTORS

(Item 1 on Proxy Card)

The shareholders are being asked to elect six directors, who will comprise the entire Board of Directors of the Company, to serve until the next annual meeting of shareholders or until their successors are duly elected and qualified. All of the nominees are current members of the Board of Directors.

Although the Board of Directors has no reason to believe any of the nominees will be unable to accept such nomination, if such should occur, proxies will be voted (unless marked to the contrary) for such substitute person or persons, if any, as shall be recommended by the Board of Directors. However, proxies will not be voted for more than eight Directors. Shareholders who do not wish their shares to be voted for a particular nominee may so direct in the space provided in the proxy card.

The Board of Directors has nominated, and recommends the election of, the six persons listed below to serve as Directors of the Company. The following information is furnished with respect to each nominee for election as a Director:

Name	Age	Position(s) with the Company
George R. Jensen, Jr. Chairman of the Board of Directors	55	Chief Executive Officer,
Stephen P. Herbert	41	President, Chief Operating Officer, Director
William W. Sellers	81	Director
William L. Van Alen, Jr.	69	Director
Steven Katz	54	Director
Douglas M. Lurio	47	Director

George R. Jensen, Jr., has been the Chairman of the Board, Chief Executive Officer, and Director of the Company since January 1992. Mr. Jensen is the founder, and was Chairman, Director, and Chief Executive Officer of American Film Technologies, Inc. ("AFT") from 1985 until 1992. AFT was in the business of creating color imaged versions of black-and-white films. From 1979 to 1985, Mr. Jensen was Chief Executive Officer and President of International Film Productions, Inc. Mr. Jensen was the Executive Producer of the twelve hour mini-series, "A.D.", a \$33 million dollar production filmed in Tunisia. Proctor and Gamble, Inc., the primary source of funds, co-produced and sponsored the epic, which aired in March 1985 for five consecutive nights on the NBC network. Mr. Jensen was also the Executive Producer for the 1983 special for public television, "A Tribute to Princess Grace". From 1971 to 1978, Mr. Jensen was a securities broker, primarily for the firm of Smith Barney, Harris AFAM. Mr. Jensen was chosen 1989 Entrepreneur of the Year in the high technology category for the Philadelphia, Pennsylvania area by Ernst & Young LLP and Inc. ----- Magazine. Mr. Jensen received his Bachelor of Science degree from the University of Tennessee and is a graduate of the Advanced ----- Management Program at the Wharton School of the University of Pennsylvania. Since 1996, Mr. Jensen has been a Director of The Noah Fund, a publicly traded mutual fund.

Stephen P. Herbert was elected a Director of the Company in April 1996, and joined the Company on a full-time basis in May 1996. Mr. Herbert became President and Chief Operating Officer of the Company in June 1999. Prior to joining the Company and since 1986, Mr. Herbert had been employed by Pepsi-Cola, the beverage division of PepsiCo, Inc. From 1994 to April 1996, Mr. Herbert was a Manager of Market Strategy. In such position he was responsible for directing development of market strategy for the vending channel and subsequently the supermarket channel for Pepsi-Cola in North America. Prior thereto, Mr. Herbert held various sales and management positions with Pepsi-Cola. Mr. Herbert graduated with a Bachelor of Science degree from Louisiana State University.

William W. Sellers joined the Board of Directors of the Company in May 1993. Mr. Sellers founded The Sellers Company in 1949 which has been nationally recognized as the leader in the design and manufacture of state-of-the-art equipment for the paving industry. Mr. Sellers has been awarded five United States patents and several Canadian patents pertaining to this equipment. The Sellers Company was sold to Mechtron International in 1985. Mr. Sellers is Chairman of the Board of the Sellers Process Equipment Company which sells products and systems to the food and other industries. Mr. Sellers is actively involved in his community. Mr. Sellers received his undergraduate degree from the University of Pennsylvania.

William L. Van Alen, Jr., joined the Board of Directors of the Company in May 1993. Mr. Van Alen is President of Cornerstone Entertainment, Inc., an organization engaged in the production of feature films of which he was a founder in 1985. Since 1996, Mr. Van Alen has been President and a Director of The Noah Fund, a publicly traded mutual fund. Prior to 1985, Mr. Van Alen practiced law in Pennsylvania for twenty-two years. Mr. Van Alen received his undergraduate degree in Economics from the University of Pennsylvania and his law degree from Villanova Law School.

Steven Katz joined the Board of Directors in May 1999. He is President of Steven Katz & Associates, Inc., a management consulting firm specializing in strategic planning and corporate development for technology and service-based companies in the health care, environmental, telecommunications and Internet markets. Mr. Katz's prior experience includes five years with Price Waterhouse & Co. in audit, tax and management advisory services; two years of corporate planning with Revlon, Inc.; five years with National Patent Development Corporation ("NPDC") in strategic planning, merger and acquisition, technology in-licensing and out-licensing, and corporate turnaround experience as President of three NPDC subsidiaries; and two years as a Vice President and General Manager of a non-banking division of Citicorp, N.A.

Douglas M. Lurio joined the Board of Directors of the Company in June 1999. Mr. Lurio is President of Lurio & Associates, P.C., attorneys-at-law, which he founded in 1991. He specializes in the practice of corporate and securities law. Prior thereto, he was a partner with Dilworth, Paxson LLP. Mr. Lurio received a Bachelor of Arts degree in Government from Franklin & Marshall College, a Juris Doctor degree from Villanova Law School, and a Masters in Law (Taxation) from Temple Law School.

Cumulative voting rights do not exist with respect to the election of Directors. Pursuant to the Articles of Incorporation and Pennsylvania law, the Directors of the Company are to be elected by the holders of the Common Stock and Series A Preferred Stock voting together, with each share of Common Stock and Series A Preferred Stock entitled to one vote.

The Board of Directors unanimously recommends that you vote "FOR" the election of all nominees.

## Meetings of the Board of Directors and Committees

The Board of Directors of the Company held a total of eleven meetings during the fiscal year ended June 30, 2003 (not including actions adopted by unanimous consent). Each member of the Board of Directors attended at least 75% of the aggregate of the number of meetings of the Board and Board Committees of which he was a member during the 2003 fiscal year.

The Board of Directors has an Audit Committee and a Compensation Committee.

The Audit Committee of the Board of Directors presently consists of Mr. Van Alen (Chairman), Mr. Sellers and Mr. Lurio. It held four meetings during the 2003 fiscal year. The Audit Committee recommends the engagement of the Company's independent accountants and is primarily responsible for approving the services performed by the Company's independent accountants, for reviewing and evaluating the Company's accounting principles, reviewing the independence of independent auditors, and reviewing the adequacy and effectiveness of the Company's internal controls. See "Report of the Audit Committee."

The Compensation Committee of the Board of Directors presently consists of Mr. Sellers (Chairman), Mr. Katz and Mr. Van Alen. The Committee reviews and recommends compensation and compensation changes for executives of the Company and the Board of Directors and administers the Company's stock option and stock grant plans. The Compensation Committee met two times during the 2003 fiscal year.

## Compensation of Directors

Members of the Board of Directors receive cash and equity compensation for serving on the Board of Directors.

In April 2002, the Company granted to each of the then outside Directors (Messrs. Sellers, Van Alen, Katz, Lurio, and Edwin P. Boynton, a former Director) options to purchase up to 100,000 shares of Common Stock at \$.40 per share as compensation for serving the one-year term which commenced March 21, 2002. The options were fully vested and were exercisable at any time prior to April 12, 2005. Commencing on July 1, 2002 and at any and all times through June 30, 2003, each Director had been granted the right, without the payment of the per share exercise price of such options, to receive up to 50,000 shares represented by those options. In September 2002, Edwin P. Boynton elected to receive 50,000 shares in lieu of the above options.

In February 2001, the Company granted a total of 300,000 options to purchase Common Stock at \$1.00 per share to each of the then outside members of the Board (Messrs. Sellers, Van Alen, Smith, Katz, Lurio, and Boynton). Of these, 120,000 options vested immediately; 90,000 options vested on June 30, 2001; and 90,000 vested on June 30, 2002. The options were exercisable at any time within five years following the vesting.

On December 31, 2002, each of Messrs. Sellers, Van Alen, Katz, Lurio, and Boynton voluntarily canceled all of the outstanding options then held by them.

During June 2003, we paid \$50,000 to each of Messrs. Sellers, Van Alen, and Katz for their services as Directors during the 2003 fiscal year. As a condition of the cash payment, each of these Directors agreed to purchase from the Company 500,000 shares of Common Stock at \$0.10 per share.

## ITEM 2

### RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

(Item 2 on Proxy Card)

The firm of Ernst & Young LLP has served as the Company's independent auditors for fiscal years since 1992 and has been selected by the Board of Directors to serve in the same capacity for fiscal year 2004. The shareholders will be asked to ratify this appointment at the Annual Meeting. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting and will have the opportunity to make a statement if desired and is expected to be available to respond to appropriate questions.

The following resolution concerning the appointment of the independent auditors will be presented to the shareholders at the Annual Meeting:

RESOLVED, that the appointment by the Board of Directors of the Company of Ernst & Young LLP, independent auditors, to examine the books, accounts and records of the Company for the fiscal year ending June 30, 2004 is hereby ratified and approved.

The affirmative vote of a majority of the votes cast by all holders of the outstanding shares of Common Stock and Series A Preferred Stock voting together (with each share of Common Stock and Series A Preferred Stock entitled to one vote) is required for ratification of this proposal.

The Board of Directors unanimously recommends that you vote "FOR" the ratification of the proposal set forth above.

ITEM 3

APPROVAL OF AN AMENDMENT TO THE COMPANY'S  
ARTICLES OF INCORPORATION INCREASING  
THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

(Item 3 on Proxy Card)

The Company's Articles of Incorporation presently authorizes the issuance of up to 400,000,000 shares of Common Stock. The Board of Directors has approved a resolution which if approved by the shareholders would increase the number of authorized shares of Common Stock to 475,000,000.

As of November 24, 2003, the number of issued and outstanding shares of Common Stock on a fully converted basis is 389,708,631 which is slightly less than the number of shares of Common Stock which are currently authorized (400,000,000) by the Articles of Incorporation. These shares consist of the following:

- \* 285,341,570 shares of Common Stock actually issued and outstanding;
- \* 528,287 shares issuable upon conversion of the currently issued and outstanding Series A Preferred Stock;
- \* 593,737 shares issuable upon conversion of the accrued and unpaid dividends on the Series A Preferred Stock;
- \* 2,646,485 shares issuable upon exercise of outstanding options;
- \* 47,076,532 shares issuable upon exercise of outstanding warrants; and
- \* 53,522,020 shares reserved for issuance upon the conversion of the outstanding 12% Convertible Senior Notes (includes shares reserved for issuance upon extension of maturity dates of existing notes due 2003 and 2004).

Based upon the foregoing outstanding and reserved shares, the Company currently has 10,291,369 shares of Common Stock remaining available for other purposes. The purpose of the proposed amendment is to authorize a sufficient number of additional shares of Common Stock to provide the Company with the flexibility to issue Common Stock for a variety of corporate purposes, such as to make acquisitions through the use of shares, to raise equity capital, to issue additional warrants or options, or to issue shares in lieu of quarterly cash interest payments due on the Convertible Senior Notes. As of November 24, 2003, and assuming approval of this proposal, there would be 85,291,369 shares of Common Stock eligible for future issuance. The Board of Directors will have

the authority to issue these authorized shares of Common Stock from time to time for proper corporate purposes without further shareholder approval unless required by applicable law. Shareholders do not have preemptive rights with respect to the Common Stock. The issuance of Common Stock or securities convertible into Common Stock, on other than a pro-rata basis, would result in the dilution of a present shareholder's interest in the Company.

The resolution to be considered by the shareholders at the Annual Meeting reads as follows:

RESOLVED, that Paragraph (A) Classes of Stock of Article 4 of the Articles of Incorporation of the Company shall be amended and restated to read in full as follows:

(A) Classes of Stock. The aggregate number of shares which the corporation shall have authority to issue is 476,800,000 shares, consisting of 475,000,000 shares of Common Stock, without par value, and 1,800,000 shares of Series Preferred Stock, without par value.

Shareholder approval of this proposal is required under Pennsylvania law and the Articles of Incorporation. Approval of the amendment to the Company's Articles of Incorporation increasing the number of authorized shares of Common Stock requires the affirmative vote of a majority of all votes cast by the holders of outstanding shares of Common Stock and Series A Preferred Stock voting together (with each share of Common Stock and Series A Preferred Stock entitled to one vote). If this proposal is adopted, it will become effective upon filing of Articles of Amendment with the Department of State of the Commonwealth of Pennsylvania which the Company anticipates filing immediately following the Annual Meeting.

The Board of Directors unanimously recommends that you vote "FOR" this amendment to the Company's Articles of Incorporation to increase the authorized number of shares of Common Stock.

#### EXECUTIVE OFFICERS OF THE COMPANY

Our executive officers are as follows:

Name	Age	Position(s) Held
- - - - -	---	-----
George R. Jensen, Jr.	55	Chief Executive Officer, Chairman of the Board of Directors
Stephen P. Herbert	41	President, Chief Operating Officer, Director
Haven Brock Kolls, Jr.	38	Vice President - Research and Development
David M. DeMedio	32	Chief Financial Officer

Certain information concerning the foregoing executive officers who are also directors of the Company is set forth elsewhere in this Proxy Statement. See "Item 1- Election of Directors." The following description contains certain information concerning the foregoing executive officers who are not also directors of the Company.

Haven Brock Kolls, Jr., joined USA Technologies on a full-time basis in May 1994 and was elected an executive officer in August 1994. From January 1992 to April 1994, Mr. Kolls was Director of Engineering for International Trade Agency, Inc., an engineering firm specializing in the development of control systems and management software packages for use in the vending machine industry. Mr. Kolls was an electrical engineer for Plateau Inc. from 1988 to December 1992. His responsibilities included mechanical and electrical computer-aided engineering, digital electronic hardware design, circuit board design and layout, fabrication of system prototypes and software development. Mr. Kolls is a graduate of the University of Tennessee with a Bachelor of Science Degree in Engineering.

David M. DeMedio joined USA Technologies on a full-time basis in March 1999 as Controller and became Chief Financial Officer effective July 1, 2003. In the summer of 2001, Mr. DeMedio was promoted to Director of Financial Services where he was responsible for the sales and financial data reporting to customers, the companies turnkey banking services and maintaining and developing relationships with credit card processors and card associations. From 1996 to March 1999, prior to joining the company, Mr. DeMedio had been employed by Elko, Fischer, Cunnane and Associates, LLC as a supervisor in its accounting and auditing and consulting practice. Prior thereto, Mr. DeMedio held various accounting positions with Intelligent Electronics, Inc., a multi-billion reseller of computer hardware and configuration services. Mr. DeMedio graduated with a Bachelor of Science in Business Administration from Shippensburg University and is a Certified Public Accountant.

#### EXECUTIVE COMPENSATION

##### Compensation Tables

The following table sets forth certain information with respect to compensation paid or accrued by the Company during the fiscal years ended June 30, 2001, June 30, 2002 and June 30, 2003 to each of the executive officers and employee of the Company named below.



Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long Term Compensation	
		Salary	Bonus (1)	Other Annual Compensation	Restricted Stock Awards	Securities Underlying Options (3)
George R. Jensen, Jr., Chief Executive Officer,	2003	\$189,038	\$250,000	\$223,211(2)	--	--
	2002	\$135,000	\$288,000	\$ 80,000(2)	--	320,000
	2001	\$135,000	\$140,000	--	--	300,000
Stephen P. Herbert, President	2003	\$183,854	\$225,000	\$185,317(2)	--	--
	2002	\$125,000	\$270,000	\$ 80,000(2)	--	300,000
	2001	\$125,000	\$134,400	--	--	80,000
Leland P. Maxwell, Chief Financial Officer(4)	2003	\$120,000	\$ 85,845	\$ 89,190(2)	--	--
	2002	\$110,308	\$151,200	--	--	130,000
	2001	\$108,000	\$ 44,240	--	--	50,000
H. Brock Kolls, Senior Vice President, Research & Development	2003	\$150,000	\$ 25,000	\$ 64,493(2)	--	--
	2002	\$125,769	\$180,000	\$ 50,000(2)	--	250,000
	2001	\$120,000	\$ 97,440	--	--	80,000
Michael K. Lawlor, Senior Vice President, Sales and Marketing(4)	2003	\$120,000	\$103,252	\$ 89,190(2)	--	--
	2002	\$103,846	\$151,200	--	--	130,000
	2001	\$100,000	\$ 38,640	--	--	50,000
Adele H. Hepburn Director of Investor Relations	2003	\$ 91,000	\$282,382	--	--	--
	2002	\$ 91,000	\$472,609	--	--	500,000
	2001	\$ 91,000	\$171,700	--	--	--

(1) For fiscal year 2001, represents shares of Common Stock issued to the executive officers during the fiscal year valued at \$1.12 per share, the closing bid price on the date of issuance. For Mr. Lawlor, the bonus also includes \$1,265 sales commission. For fiscal year 2002, represents shares of Common Stock issued to the executive officers valued at \$0.45 per share, which was the market value on the date of grant (Mr. Jensen-640,000 shares; Mr. Herbert-600,000 shares; Mr. Kolls-400,000 shares; Mr. Maxwell-260,000 shares; and Mr. Lawlor-260,000 shares). For Mr. Maxwell and Mr. Lawlor in 2002, the bonus also includes 90,000 shares of Common Stock valued at \$0.38, which was the market price on the day of grant. This stock was awarded to reimburse them for tax payments incurred as a result of the award of a previous bonus. For Adele Hepburn in fiscal 2002, the bonus includes \$408,267 of non cash compensation, as follows: 435,334 shares of Common Stock at \$0.60; 384,334 shares at \$0.10; and a \$108,834 2001 - D 12% Senior Notes due December 31, 2003. For fiscal year 2003, includes a \$100,000 Senior Note due 2005, including 200,000 shares valued at \$.20, and \$150,000 cash bonus for Mr. Jensen and \$100,000 Senior Note due 2005, including 200,000 shares valued at \$0.20 and \$125,000 cash bonus for Mr. Herbert and a \$25,000 cash bonus for Mr. Kolls; and a \$100,000 Senior Note due 2005, including 200,000 shares valued at \$.20 per share, a \$41,095 Senior Note due 2004, and \$100,000 cash bonus for Ms. Hepburn.

(2) Represents cash payments authorized to reimburse certain executive officers for tax payments incurred from the award of a previous bonus as well as car allowance payments.

(3) In July 1999, the Company extended the expiration dates until June 30, 2001 of the options to acquire Common Stock held by the following directors, officers, and employee: Adele Hepburn - 77,000 options; H. Brock Kolls - 20,000 options; William Sellers - 15,500 options; and William Van Alen - 12,500 options. All of the foregoing options would have expired in the first two calendar quarters of the year 2000 or the first calendar quarter of year 2001. In February 2001, all these options were further extended until June 30, 2003, and in addition the expiration dates of the following additional options were also extended to June 30, 2003: H. Brock Kolls - 20,000 options; Stephen Herbert - 40,000 options; Michael Lawlor - 3,750 options; George Jensen - 200,000 options. In October 2000, the Company issued to George R. Jensen, Jr., fully vested options to acquire up to 200,000 shares of Common Stock at \$1.50 per share. The options were exercisable at any time within two years following issuance. In February 2001, the Company extended the expiration date of these options until June 30, 2003. Effective December 31, 2002, all of the outstanding options (whether vested or unvested) then held by each of Messrs. Jensen, Herbert, Kolls, Maxwell, Sellers, Van Alen, Katz, Lurio and Boynton were voluntarily canceled by each of the foregoing individuals.

(4) Employed by the Company through June 30, 2003.

During the fiscal year ended June 30, 2003, there were no grants of stock options to the executive officers or the employee named above.

TOTAL OPTIONS EXERCISED IN FISCAL YEAR ENDED JUNE 30, 2003 AND YEAR END VALUES

The following table gives information for options exercised by an employee in fiscal year 2003, and the number of options held by the employee at fiscal year end.

Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the -Money Options at FY-End(\$) Exercisable/ Unexercisable
----- Adele H. Hepburn -----	0	0	77,000/0	0

During the fiscal year ended June 30, 2003, there were no options exercised by the executive officers and there were no options held by executive officers at fiscal year end.

## EXECUTIVE EMPLOYMENT AGREEMENTS

The Company has entered into an employment agreement with Mr. Jensen which expires June 30, 2005, and is automatically renewed from year to year thereafter unless canceled by Mr. Jensen or the Company. The agreement provides for an annual base salary of \$180,000. Mr. Jensen is entitled to receive such bonus or bonuses as may be awarded to him by the Board of Directors. In determining whether to pay such a bonus, the Board would use its subjective discretion. The Agreement requires Mr. Jensen to devote his full time and attention to the business and affairs of the Company, and obligates him not to engage in any investments or activities which would compete with the Company during the term of the Agreement and for a period of one year thereafter.

The agreement also grants to Mr. Jensen in the event a "USA Transaction" (as defined below) occurs after the date thereof an aggregate of 14,000,000 shares of Common Stock subject to adjustment for stock splits or combinations ("Jensen Shares"). Mr. Jensen is not required to pay any additional consideration for the Jensen Shares. At the time of any USA Transaction, all of the Jensen Shares are automatically deemed to be issued and outstanding immediately prior to any USA Transaction, and are entitled to be treated as any other issued and outstanding shares of Common Stock in connection with such USA Transaction.

The term USA Transaction is defined as (i) the acquisition of fifty-one percent or more of the then outstanding voting securities entitled to vote generally in the election of Directors of the Company by any person, entity or group, or (ii) the approval by the shareholders of the Company of a reorganization, merger, consolidation, liquidation, or dissolution of the Company, or the sale, transfer, lease or other disposition of all or substantially all of the assets of the Company. The Jensen Shares are irrevocable and fully vested, have no expiration date, and will not be affected by the termination of Mr. Jensen's employment with the Company for any reason whatsoever. If a USA Transaction shall occur at a time when there are not a sufficient number of authorized but unissued shares of Common Stock, then the Company shall as a condition of such USA Transaction promptly take any and all appropriate action to make available a sufficient number of shares of Common Stock. In the alternative, the Company may structure the USA Transaction so that Mr. Jensen would receive the same amount and type of consideration in connection with the USA Transaction as any other holder of Common Stock.

The Company has entered into an employment agreement with Mr. Herbert, which expires on June 30, 2005, and is automatically renewed from year to year thereafter unless canceled by Mr. Herbert or the Company. The Agreement provides for an annual base salary of \$165,000 per year. Mr. Herbert is entitled to receive such bonus or bonuses as the Board of Directors may award to him. The Agreement requires Mr. Herbert to devote his full time and attention to the business and affairs of the Company and obligates him not to engage in any investments or activities which would compete with the Company during the term of the agreement and for a period of one year thereafter. In the event that a USA Transaction (as defined in Mr. Jensen's employment agreement) shall occur, then Mr. Herbert has the right to terminate his agreement upon 30 days notice to USA.

Mr. Kolls has entered into an employment agreement with the Company, which expires on June 30, 2004, and is automatically renewed from year to year thereafter unless canceled by Mr. Kolls or the Company. The agreement provides for an annual base salary of \$150,000 per year. Mr. Kolls is also entitled to receive such bonus or bonuses as may be awarded to him by the Board of Directors. The Agreement requires Mr. Kolls to devote his full time and attention to the business and affairs of the Company, and obligates him not to engage in any investments or activities which would compete with the Company during the term of his agreement and for a period of one year thereafter.

Ms. Hepburn has entered into an employment agreement with the Company, which expires on June 30, 2005, and is automatically renewed from year to year thereafter unless canceled by Ms. Hepburn or the Company. The agreement provides for an annual base salary of \$91,000 per year. Ms. Hepburn is also entitled to receive such bonus or bonuses as the Board of Directors may award to her. The Agreement requires Ms. Hepburn to devote her full time and attention to the business and affairs of the Company, and obligates her not to engage in any investments or activities which would compete with the Company during the term of the agreement and for a period of one year thereafter.

The employment agreements of Messrs. Maxwell and Lawlor expired on June 30, 2003.

#### REPORT OF THE AUDIT COMMITTEE

##### Membership And Role Of The Audit Committee

The Audit Committee of the Company's Board of Directors (the "Audit Committee") consists of three outside directors, currently Messrs. Sellers, Van Alen, and Lurio, appointed by the Board of Directors. Each member of the Audit Committee other than Mr. Lurio is independent as defined under the National Association of Securities Dealers' listing standards. The Audit Committee is governed by a written charter adopted and approved by the Board of Directors.

Review of The Company's Audited Financial Statements For The Fiscal Year Ended June 30, 2003

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended June 30, 2003 with the Company's management. The Audit Committee also discussed with Ernst & Young LLP, the Company's independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61 'Communication with Audit Committees'.

The Audit Committee has also received the written disclosures from Ernst & Young LLP relating to their independence as required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and the Audit Committee has discussed with Ernst & Young LLP the independence of that firm. The Audit Committee has also considered whether the provision of non-audit services by Ernst & Young LLP is compatible with maintaining Ernst & Young LLP's independence.

Based on the Audit Committee's reviews and discussions noted above, the Audit Committee recommended to the Board of Directors that the Company's consolidated audited financial statements be included in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2003, for filing with the Securities and Exchange Commission.

Audit Committee

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Mr. William L. Van Alen (Chairman)

Mr. William W. Sellers

Mr. Douglas M. Lurio

#### Audit And Related Fees

#### Fees to Accountants for Services Rendered During Fiscal Year 2003

##### Audit Fees

The aggregate fees billed to the Company by Ernst & Young LLP for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended June 30, 2003 and the reviews of the financial statements included in the Company's quarterly reports on Form 10-QSB for that fiscal year totaled \$265,750.

##### Financial Information Systems Design and Implementation Fees

The Company did not engage Ernst & Young LLP to provide, during the fiscal year ended June 30, 2003, any services for the Company regarding the design or implementation of the Company's financial information systems, within the meaning of Rule 2-01(c)(4)(ii) of Regulation S-X.

#### All Other Fees

Fees billed to the Company by Ernst & Young LLP during the Company's 2003 fiscal year for services rendered other than for services covered by the preceding two paragraphs, including tax related services, totaled \$228,047.

#### COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of Common Stock, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock. Executive officers, directors and ten percent stockholders are required by SEC regulations to furnish the Company with a copy of all Section 16(a) forms ("Forms 3, 4, and 5") that they file. To the Company's knowledge, based solely on a review of copies of the Forms 3, 4 and 5 furnished to the Company, except as set forth below, all applicable Section 16(a) filing requirements were complied with.

Mr. Kolls failed to file a Form 3 reporting his beneficial ownership of securities which was required to be filed on October 28, 2002. The appropriate Form was filed by Mr. Kolls on January 3, 2003.

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On December 31, 2000, Stitch Networks Corporation ("Stitch") executed a Vending Placement, Supply and Distribution Agreement with Eastman Kodak Company, Maytag Corporation and Dixie Narco, Inc., which formed a strategic alliance to market and execute a national vending program for the sale of one-time use camera and film products. The Agreement provides for an initial term of three years ending December 31, 2003, with additional provisions for early termination and extensions as defined. Furthermore, the Agreement also provides for exclusivity among the parties for the term of the Agreement relating to the sale of camera and film products from vending machines within the Continental United States. Pursuant to this agreement, Stitch, the Company's subsidiary, purchases vending machines from Dixie-Narco, Inc. ("Dixie"). Dixie is owned by Maytag Corporation which is the owner of the Company's shareholder, Maytag Holdings, Inc. Mr. Boyle, a former Director of the Company, is a Vice President of Maytag Corporation. There were purchases from Dixie of \$201,000 and \$8,000 for the fiscal year ended June 30, 2003 and for the period May 14, 2002 through June 30, 2002, respectively. Amounts payable to Dixie of approximately \$130,000 and \$124,000 are included in accounts payable in the June 30, 2003 and 2002 consolidated balance sheets of the Company.

During the fiscal years ended June 30, 2003 and June 30, 2002, the Company incurred charges to Lurio & Associates, P.C., of which Mr. Lurio is President and a shareholder, for professional fees of approximately \$305,000 and \$213,000 respectively, for legal services rendered to the Company by such law firm.

During the years ended June 30, 2003 and 2002, the Company accrued approximately \$22,000 and \$30,000, respectively, for these services. Mr. Lurio is a Director of the Company.

In October 2002, the Company approved the issuance to each of George R. Jensen, Jr., our Chief Executive Officer, and Stephen P. Herbert, our President and Chief Operating Officer, of \$100,000 of the Senior Note offering. Pursuant thereto, each of them received a \$100,000 12% Senior Note due December 31, 2005, and the related 200,000 shares of Common Stock. Both Mr. Jensen and Mr. Herbert earned the Note and related shares in fiscal 2003 for services rendered. In October 2002, the Company approved the issuance of \$100,000 of the Senior Note offering and 200,000 related shares of Common Stock to Adele Hepburn for services rendered during the 2002 calendar year. Ms. Hepburn earned the Note and related shares in fiscal 2003 for services rendered.

In April and May 2003, the Company authorized the payment of \$420,000 over the following six months to its five executive officers. The payments are to assist in the 2002 tax liability incurred by the executives due to common stock bonuses received by them during calendar year 2002.

During June 2003, the Company approved the following cash payments as a bonus for services rendered to the Company by the named executive during the 2003 fiscal year: Mr. Jensen-\$150,000; Mr. Herbert-\$125,000; Ms. Hepburn-\$100,000; and Mr. Kolls-\$25,000. The payment of the bonus was conditioned upon the executive investing the entire cash bonus in common stock of the Company at \$.10 per share.

On July 10, 2003, USA and George R. Jensen, Jr., Chief Executive Officer and Chairman of USA, agreed upon an amendment to Mr. Jensen's employment agreement. Prior to the amendment, Mr. Jensen's agreement had provided that upon the occurrence of a USA Transaction (as defined therein) Mr. Jensen would receive that number of shares equal to seven percent of the then issued and outstanding Common Stock (on a fully converted basis). Pursuant to the amendment, the number of shares of Common Stock of USA issuable to Mr. Jensen by USA upon the occurrence of a USA Transaction was fixed at 14,000,000 shares (subject to dilution) rather than seven percent of the then issued and outstanding shares as previously provided (which was not subject to dilution). USA also issued to Mr. Jensen an aggregate of 10,500,000 shares of restricted Common Stock, 2,500,000 shares of which were issued as compensation to Mr. Jensen for future services, and 8,000,000 shares of which were issued to Mr. Jensen in connection with the employment agreement amendment. Mr. Jensen has entered into a lock up agreement pursuant to which he shall not sell 2,500,000 of the shares for a one-year period and 8,000,000 of the shares for a two-year period.

The Company does not have any policy with respect to entering into future related party transactions.

#### SHAREHOLDER PROPOSALS FOR THE 2005 ANNUAL MEETING OF SHAREHOLDERS

Shareholder proposals submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") for inclusion in the Company's proxy materials for its 2005 Annual Meeting of Shareholders must be received by the Secretary of the Company at the principal offices of the Company no later than August \_\_, 2004.

Written notice of proposals of shareholders submitted outside the processes of Rule 14a-8 under the Exchange Act for consideration at the 2004 Annual Meeting must have been received by the Company on or before October \_\_, 2004 in order to be considered timely for purposes of Rule 14a-4 under the Exchange Act. The persons designated in the Company's proxy card will be granted discretionary authority with respect to any shareholder proposal with respect to which the Company does not receive timely notice.

#### GENERAL INFORMATION

The Board of Directors does not know of any matters to be presented for consideration other than the matters described in the Notice of Annual Meeting, but if any matters are properly presented, it is the intention of the persons named in the enclosed form of proxy to vote on such matters in accordance with their best judgment to the same extent as the person signing the proxy would be entitled to vote.

Shareholders who desire to have their shares voted at the Annual Meeting are requested to mark, sign, and date the enclosed proxy and return it promptly in the enclosed postage-paid envelope. Shareholders may revoke their proxies at any time prior to the Annual Meeting and shareholders who are present at the Annual Meeting may revoke their proxies and vote, if they so desire, in person.



A copy of the Company's Annual Report on Form 10-KSB, as filed with the Securities and Exchange Commission, for the fiscal year ended June 30, 2003 may be obtained, free of charge, by any shareholder by writing or calling Investor Relations Department, USA Technologies, Inc., 100 Deerfield Lane, Suite 140, Malvern, Pennsylvania 19355, telephone (610) 989-0340.

By Order of the Board of Directors,

/s/ George R. Jensen, Jr.

December \_\_, 2003

GEORGE R. JENSEN, JR.  
Chairman and Chief Executive Officer

USA TECHNOLOGIES, INC.

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS -  
ANNUAL MEETING OF SHAREHOLDERS - JANUARY 16, 2004

The undersigned, revoking all prior proxies, hereby appoint(s) George R. Jensen, Jr., and David M. DeMedio, or either of them, with full power of substitution, as proxies to represent and vote, as designated below, all share of Common Stock and Series A Preferred Stock of USA Technologies, Inc., held of record by the undersigned at the close of business on December 12, 2003, at the Annual Meeting of Shareholders to be held on January 16, 2004, and at any adjournment thereof.

This proxy when properly executed will be voted in the manner directed on the reverse side hereof by the undersigned. If no contrary direction is made, this proxy will be voted "FOR" all of the proposals set forth on the reverse side hereof, including all the nominees listed in Item 1 (or, if any such nominees should be unable to accept such nomination, for such other substitute person or persons as may be recommended by the Board of Directors), and in accordance with the proxies' best judgment upon other matters properly coming before the Annual Meeting and any adjournments thereof.

Please date and sign exactly as your name appears below. In the case of joint holders, each should sign. If the signor is a corporation or partnership, sign in full the corporate or partnership name by an authorized officer or partner. When signing as attorney, executor, trustee, officer, partner, etc., give full title.

Dated: \_\_\_\_\_, 200\_

Signature

Signature

PLEASE DATE, SIGN AND RETURN THIS PROXY PROMPTLY IN THE ENCLOSED ENVELOPE.

IF YOU SIGN THIS PROXY WITHOUT OTHERWISE MARKING THE FORM, THIS PROXY WILL BE VOTED AS RECOMMENDED BY THE BOARD OF DIRECTORS ON ALL MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING.

[SEE REVERSE SIDE]

1. The election of George R. Jensen, Jr., Stephen P. Herbert, William W. Sellers, William L. Van Alen, Jr., Steven Katz and Douglas M. Lurio, as Directors.

FOR ALL NOMINEES                      WITHHOLD AUTHORITY  
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(If you wish to withhold authority to vote for one or more but less than all of the nominees named above, so indicate on the line provided below.)

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2. Ratification of the appointment of Ernst & Young LLP as the independent auditors of the Company for fiscal year ending June 30, 2004.

FOR                      AGAINST                      ABSTAIN  
---                      ----                      ---

3. The proposal to increase the authorized shares of Common Stock to 475,000,000.

\_\_\_ FOR     \_\_\_ AGAINST     \_\_\_ ABSTAIN

4. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting and any adjournment thereof.